

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

DMG5024 – MANAGEMENT ACCOUNTING 2

(All Sections/Groups)

21 OCTOBER 2020

9.00 a.m – 12.00 p.m

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 5 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Keepie Mart makes and sells 36,000 packets of sushi rolls in Melaka every month. The mart is currently operating at 78% capacity and the accounts and administrative executive has provided the following information regarding the monthly sales of sushi rolls.

Keepie Mart		
Monthly Statement of Comprehensive Income		
	RM	RM
Total revenue		288,000
Less: Cost of goods sold		
Ingredients used	72,000	
Direct labour	43,200	
Manufacturing overhead (20% fixed)	<u>36,000</u>	
		<u>151,200</u>
Gross profit		136,800
Less: Operating expenses (45% fixed)	28,800	
Administrative expenses (85% variable)	<u>14,400</u>	
		<u>43,200</u>
Net income		<u>93,600</u>

In August 2020, Malia is organising a convention in Kuala Lumpur and she would like to make a one-time order of 10,000 packets of sushi rolls from Keepie Mart at the price of RM6 each. If Keepie Mart accepts this special order, they will also need to incur RM0.30 packaging fees per sushi roll.

Required

- Should Keepie Mart accept this special order from Malia? Prepare an incremental analysis to show your workings. (10 marks)
- Assume that a supplier approach Keepie Mart and offers to sell their sushi rolls at RM5.50 each. If Keepie Mart decides to buy these sushi rolls instead, only 10% of all fixed cost can be eliminated. Prepare an incremental analysis to show whether Keepie Mart should make or buy the sushi rolls from this supplier. (10 marks)

(Total: 20 marks)

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QUESTION 2**PART A**

Seat Saloon provides various types of hair services ranging from haircut and hair wash to hairstyling services. In order to ensure that the saloon continues to provide good services to their customer, Mr. Seat has obtained the following cost data for the year 2020. He estimated that the saloon will require 31,200 labour hours in the year 2020 and a total of materials amounting to RM64,000.

	Time charges (RM)	Material charges (RM)
Employees' wages	134,160	-
Manager's salary	29,640	13,440
Clerk's salary	4,992	5,120
Other Overhead	34,008	16,640
Total budgeted costs	202,800	35,200

Mr. Seat desires a RM3.70 profit margin for every labour hour and a 40% profit margin on the material used that are imported from Japan.

Besides, Mr. Seat is also thinking of making and selling his own medicated shampoo for dry hair. If he wants to make these shampoos, he will need to purchase two new machines from Japan at a cost of RM125,000 and RM58,000 each and send two of his employees for training at a cost of RM250 each. Mr. Seat expects 30% return on total investment and estimates that he can sell 4,098 bottles of this medicated shampoo.

Required

- (a) Determine the rate charged per labour hour. (4 marks)
- (b) Determine the material charges percentage. (3 marks)
- (c) In October 2020, Mr. Seat received an appointment to do makeup and hairstyling for a group of eight university students who are attending their university's prom night. He estimates that he will need two hairstyling hours per student using RM20 worth of pins, clips and gel. As Mr. Seat does not provide any makeup services, he has invited a group of freelance makeup artists at a total cost of RM400. Each student will be charged RM65 for the makeup service. Compute the total estimated bill for this job. (3 marks)
- (d) Assume that Mr. Seat has decided to make the medicated shampoo. Determine the targeted selling price per bottle of shampoo if the cost of medicine used is RM30 per bottle and the shampoo mixture used is RM28 per bottle. (6 marks)

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PART B

Jegan wants to start a new cleaning company that provides various types of cleaning services. Due to the nature of her business, she believes that both of her supporting departments, the admin department and purchasing departments, will be constantly supporting one another and at the same time, both supporting departments will be supporting the servicing departments.

Required

- (a) Based on the scenario above, which cost allocation method best suits Jegan's new business and why. (2 marks)
- (b) In your own words, explain the benefit and disadvantage of this method to Jegan. (2 marks)

(Total: 20 marks)

QUESTION 3

Remetax Berhad is a garment manufacturing firm in Kelantan that produces shirts and dresses. The company has been using machine hours as the basis in allocating its manufacturing overhead to all departments and activities. In the year 2020, the company has an estimated total manufacturing cost RM2,102,400 and budgeted 438,000 machine hours.

However, due to the recent expansion of the company's factory in Vietnam, the director of Remetax, Mr. Gary How, has decided to explore the activity-based costing approach. In order to know the impact of adopting the activity-based costing on his products, Mr. Gary has requested you to prepare a report on one of his best sellers, shirt design A669. Mr. Gary also noted that each batch of 1,000 pieces of A669 shirt requires 1 machine setup, 2 inspections, 4 material requests and 2 designs. Below are the details of the product A669 for the year 2020:

	Shirt design A669
Direct materials (per shirt)	1.5 meter at RM2 per meter
Direct labour (per shirt)	1.8 hours at RM3 per hour
Manufacturing overhead (per shirt)	0.5 machine hours
Expected completed units	2,500,000 pieces

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Below are the costing and activities provided by company's accountant:

Remetax Berhad Summary of allocation of estimated manufacturing overhead			
Activities	Cost driver	Expected overhead cost (RM)	Expected quantity
Machine setup	Numbers of setup	1,271,400	4,890 setups
Inspections	Number of inspections	238,140	2,430 inspections
Material handling	Number of material requisitions	356,990	71,398 requests
Engineering department	Number of designs	235,870	1,145 designs
		2,102,400	

Required

- (a) Based on Remetax, provide an example of each of the following activities:
 - i) A value-added activity.
 - ii) A non-value-added activity.
 - iii) A product level activity. (3 marks)
- (b) Compute the predetermined overhead rate using the traditional costing method. (2 marks)
- (c) Determine the manufacturing cost per piece of shirt design A669 using the traditional costing method. (3.5 marks)
- (d) Compute the activity-based rate using the activity-based costing method. (4 marks)
- (e) Determine the manufacturing cost per piece of shirt design A669 using the activity-based costing method. (5.5 marks)
- (f) Based on the answer in (c) and (e), what would your advice to Mr. Gary be and why? (2 marks)

(Total: 20 marks)

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QUESTION 4

Veronica Berhad manufactures and sells various types of perfumes for both men and women. The top management is looking into the budgets for the last quarter of the year 2020 and they determine that the budgeted sales for September 2020 will be 40,000 bottles of perfumes and the budgeted sales for January 2021 will be 90% of December 2020's sales. Due to the constant changes in the exchange rates, the selling price of the perfume is also expected to fluctuate from month to month as the company imports their materials from Thailand and the United States. Following are the information provided by the management:

	October	November	December
Budgeted sales unit	90% of September's sales	39,600	50,000
Budgeted selling price per bottle	RM65	120% of October's selling price	RM68
Estimated purchase price of alcohol	RM18 per litre	RM19 per litre	140% of October's purchase price

The company decided to maintain a finished goods inventory at the end of each month equal to 45% of the next month's anticipated sales while a raw material ending inventory at the end of each month equal to 50% of next month's anticipated production.

Each bottle of perfume requires 0.20 litre of alcohol. Total litre needed in January 2021 is 8,426 litres.

Required

- (a) Prepare Veronica Berhad's sales budget for the three months ending 31 December 2020 and also in total. (5 marks)
- (b) Prepare the company's production budget for the three months ending 31 December 2020. (6 marks)
- (c) Prepare the company's direct materials budget for the three months ending 31 December 2020. (9 marks)

(Total: 20 marks)

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QUESTION 5**PART A**

Paxton Corp processes wood to make tables and chairs. These tables and chairs can either be sold unfinished to other manufacturing firms or it can be processed further into completed tables and chairs and be sold to the furniture shops. The total joint manufacturing cost for the year were RM15,000,000. During the year 2020, the following information was given:

Product	Quantity sold	Selling price at splitoff point	Further processing cost	Selling price after further processing
Tables	200,000	RM30 per unit	RM1,005,920	RM50 per unit
Chairs	1,200,000	RM15 per unit	RM3,570,000	RM22 per unit

Required

- (a) Allocate the joint cost using constant gross-margin percentage NRV method. (7 marks)
- (b) Assume that Paxton Corp would like to venture into the food and beverage industry and open a new factory in the Ayer Keroh industrial area to manufacture food and beverages. Name ONE (1) possible **JOINT PRODUCT** and TWO (2) **MAIN PRODUCTS** that can be manufactured by Paxton Corp. (3 marks)

PART B

Magic Partnership manufactures magic mops that are sold all over Malaysia. In August 2020, the company incurred 950,000 direct labour hours at a total wage cost of RM3,895,000 to manufacture 500,000 magic mops. The company also purchased and used 450,000 kg of plastic resins during the month, purchased at a total cost of RM2,610,000.

Below is the company's standard cost card:

	Direct materials	Direct labour
Standard quantity	0.8 kg	2 hours
Standard price	RM6	RM4.30

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Required

Calculate the following variances for August 2020 for Magic Partnership:

- (a) Material price variance (3 marks)
- (b) Total material variance (3.5 marks)
- (c) Total labour variance (3.5 marks)

(Total: 20 marks)

End of Paper